EPSON
EXCEED YOUR VISION

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April 30, 2014

CONSOLIDATED RESULTS FOR YEAR ENDED MARCH 31, 2014

Consolidated Financial Highlights

Income statements and cash flows data

(Millions of yen, thousands of U.S. dollars, except for per share data)

	Year ended March 31		Change	Year ended March 31, 2014
	2013	**2014**		
Statements of Income Data:				
Net sales	¥851,297	**¥1,003,606**	17.9%	**$9,751,321**
Operating income	21,255	**84,968**	299.8%	**825,573**
Ordinary income	17,629	**78,121**	343.1%	**759,045**
Net income (loss)	(10,091)	**83,698**	-%	**813,233**
Statements of Cash Flows Data:				
Net cash provided by (used in) operating activities	42,992	**111,253**	158.8%	**1,080,965**
Net cash provided by (used in) investing activities	(39,511)	(39,519)	-%	**(383,977)**
Net cash provided by (used in) financing activities	21,298	(56,567)	-%	(549,621)
Cash and cash equivalents at the end of the period	184,639	**211,500**	14.5%	**2,054,994**
Per Share Data:				
Net income (loss) per share -Basic	(¥56.41)	**¥467.87**	-%	**$4.54**
-Diluted	¥-	**¥-**	-%	**$-**

Balance sheets data

(Millions of yen, thousands of U.S. dollars, except for per share data)

	March 31		
	2013	**2014**	**2014**
Total assets	¥778,547	**¥865,872**	**$8,413,058**
Net assets	258,806	**351,730**	**3,417,508**
Shareholders’ equity	256,745	**349,342**	**3,394,306**
Shareholders’ equity ratio (%)	33.0%	**40.3%**	**40.3%**
Shareholders’ equity per share	¥1,435.20	**¥1,952.83**	**$18.97**

Cash dividends per share data

(Yen, U.S. dollars)

	March 31		
Cash dividends per share	2013	**2014**	**2014**
Interim	¥13.00	**¥13.00**	**$0.13**
Year-end	7.00	**37.00**	**0.35**
Total	¥20.00	**¥50.00**	**$0.48**

Notes

I. The consolidated figures are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated figures prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.
II. Figures in 'Change' column are comparisons with the same period of the previous year.
III. Diluted net income per share is presented only if there are dilutive factors present.
IV. Shareholders' equity is equity excluding minority interest in subsidiaries.
V. Cash dividend per share (year-end) for the year ended March 31, 2014, is subject to approval at the general shareholders' meeting.
VI. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of 102.92 = U.S.$1 as of March 31, 2014, has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2013 Full Year Overview

The global economic recovery as a whole was still weak in the year under review, but there was also evidence of underlying strength. The U.S. economy, boosted by lower unemployment and higher personal spending, recovered at a gradual pace. The European economy remained weak but showed signs of picking up, as the unemployment rate leveled off and manufacturing activity was solid. In China the pace of economic expansion steadied, while the Indian economy showed signs of having bottomed out. Elsewhere in Asia, the ASEAN and Taiwanese economies showed indications of picking up, while improvement was also seen in South Korea. Meanwhile, the Japanese economy gradually recovered, in part due to the effects of an improved export environment owing to the weakening of the yen and effects of economic and financial policies.

The situation in the main markets of the Epson Group ("Epson") was as follows.
Inkjet printer demand contracted in North America and Japan but drifted sideways in Europe. Large-format printer sales were brisk for popularly priced models. Sales of high-end models were sluggish in the first half but gained momentum in the second half as corporate spending picked up. The markets for serial-impact dot-matrix (SIDM) printers shrank in the U.S. and Europe but grew in China due to infrastructure investment. Demand for POS systems products from small- and medium-sized retailers in the Americas was steady throughout the year and, in Europe, rebounded in the second half. Projector demand was steady in Japan, flat in the Americas and Asia, and slack in Europe due to ongoing cutbacks in investment budgets.
In mobile phones, the main application for Epson's electronic devices, demand was firm for smartphones but continued to decelerate for conventional phones. In the PC market, sales of tablets were steady, but demand for notebook and desktop models continued to contract. In the digital camera market, compact camera sales remained sluggish and SLR (single-lens reflex) and MILC (mirrorless interchangeable-lens camera) model demand also slackened.
In the precision products market, demand for premium watches grew, especially in Japan. Industrial robot demand increased in the automotive and smartphone sectors, while IC handler demand trended upward as investment resumed in the semiconductor market.

At the start of the 2013 fiscal year Epson began working under an updated three-year plan called the SE15 Updated Second-Half Mid-Range Business Plan (FY2013-15). We have been closely adhering to the strategic course charted by the SE15 Long-Range Corporate Vision and, in line with the updated plan, are pursuing a basic strategy of managing our businesses so that they create steady profit while avoiding the single-minded pursuit of revenue growth. Our top priority will be steady income and cash flow. To achieve this in existing segments, we will readjust our product mixes and adopt new business models. Meanwhile, we will aggressively develop markets in new segments. We will move steadily forward to lay the foundation for a metamorphosis during which Epson will change from being primarily a company that provides consumer imaging products into a company that once again posts strong growth by creating and providing new information solutions and equipment for businesses and professionals, as well as consumers.
The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year under review were ¥100.23 and ¥134.37, respectively. This represents a 21% depreciation in the value of the yen against the dollar and a 25% depreciation in the value of the yen against the euro, year-over-year.

As a result of the foregoing factors, net sales for the full fiscal year were ¥1,003,606 million ($9,751,321 thousand), up 17.9% from the prior year. Operating income was ¥84,968 million ($825,573 thousand), up 299.8% from the prior year. Ordinary income was ¥78,121 million ($759,045 thousand), up 343.1% from the prior year, and net income was ¥83,698 million ($813,233 thousand), compared to a net loss of ¥10,091 million in the previous year. In addition, after Epson analyzed potentially recoverable deferred tax assets and adjusted the amount, tax expenses decreased, and Epson recorded a ¥30,734 million income tax adjustment.

A breakdown of the financial results in each reporting segment is provided below.
Please note that, effective from the first quarter of the 2013 fiscal year, some of the product categories within existing segments were spun off to create new segments. The main change is that factory automation equipment, industrial inkjet printing systems, and sensing systems equipment, which were formerly included in the information-related equipment segment, devices and precision products segment, and corporate segment, were spun off to create the new sensing and industrial solutions segment. The optical products business, which was included in the devices and precision products segment last fiscal year, was transferred and herein is included in the corporate segment.

Information-Related Equipment Segment

Net sales in the printing systems business increased. All categories of products benefited from foreign exchange effects.
Net sales in the inkjet printer business as a whole were lifted higher by increased shipments of high-capacity ink tank models and by higher average selling prices, despite a decline in ink cartridge printer shipments. Net sales from consumables also rose, as unit shipments increased.
Large-format printer net sales increased due to a rise in average selling prices accompanying increased sales of high-end units and consumables. Page printer net sales decreased due to a decline in unit shipments, the result of Epson's focus on selling high added value models. SIDM printer net sales increased owing to steady demand in China, where these printers are used in tax collection systems. POS system printer net sales increased due to an increase in unit shipments in the Americas.
Net sales in the visual communications business increased. Foreign exchange effects were a positive factor here, as well.
Business projector net sales increased. The increase was fueled by strong sales in the Americas and China, which brought forth unit shipment growth. Home-theater projector net sales also grew, mainly on higher unit shipments in Japan and China.
Segment income in the information-related equipment segment increased due to foreign exchange effects and increased sales of core products.
As a result of the foregoing factors, net sales in the information-related equipment segment were ¥836,436 million ($8,127,050 thousand), up 22.0% year over year, while segment income was ¥121,531 million ($1,180,829 thousand), up 134.9% year over year.

Devices & Precision Products Segment

Net sales in the microdevices business declined.
Crystal device net sales declined as a whole despite foreign exchange effects, as tuning-fork crystal unit shipments shrank in conjunction with soft demand from the mobile phone market, crystal prices continued to erode, and opto-device sales to digital camera manufacturers decreased. Foreign exchange effects caused

semiconductor net sales to increase despite negative factors such as plunging microcontroller unit prices.
Net sales in the precision products business increased owing to factors such as increased sales of premium watches, which lifted average selling prices, and foreign exchange effects.
Segment income in the devices and precision products segment increased. This increase was due not only to the effects of foreign exchange on the segment as a whole but also to the effect of cost reductions in the microdevices business.
As a result of the foregoing factors, net sales in the devices and precision products segment were ¥148,956 million ($1,447,298 thousand), up 5.8% year over year, while segment income was ¥9,733 million ($94,568 thousand), up 12.7% year over year.

Sensing & Industrial Solutions Segment

Net income in the sensing and industrial solutions segment increased.
In factory automation systems, industrial robot net sales grew on increased orders from Asia, while IC handler net sales grew on increased orders from manufacturers of semiconductors for smartphones.
Segment income in the sensing and industrial solutions segment was negative, as industrial robot and IC handler income growth was outstripped by widened losses in industrial inkjet printing systems and sensing systems.
As a result of the foregoing factors, net sales in the sensing and industrial solutions segment were ¥16,181 million ($157,219 thousand), up 41.8% year over year, while segment loss was ¥10,183 million ($98,940 thousand), compared to a loss of ¥9,614 million last year.

Other

Net sales in this segment in the year under review were ¥1,334 million ($12,962 thousand), up 4.8% year over year. Segment loss was ¥258 million ($2,517 million), compared to a ¥165 million segment loss last year.

Adjustments

Adjustments to total income of reporting segments amounted to -¥35,854 million ($348,369 thousand), compared to -¥29,349 million in adjustments last year. The loss mainly comprises selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development expenses for new businesses and basic technology, and general corporate expenses.

Liquidity and Financial Position

Financial Condition

Total assets were ¥865,872 million ($8,413,058 thousand), an increase of ¥87,325 million compared to the last fiscal year end. This increase is primarily the result of a ¥23,893 million increase in deferred tax assets, a ¥20,098 million increase in merchandise and finished goods, a ¥26,893 million increase in cash and deposits and short-term investment securities, and a ¥13,795 million increase in notes and accounts receivable.
Total liabilities were ¥514,141 million ($4,995,550 thousand), down ¥5,599 million compared to the end of the last fiscal year. Although notes and accounts payable-trade increased by ¥15,571 million, liabilities associated with retirement benefits increased by ¥14,917 million, and the provision for bonuses increased by ¥9,719 million, total liabilities decreased primarily as a result of a ¥50,671 million net decrease in short-term loans payable, long-term loans payable, and bonds payable.

Total net assets were ¥351,730 million ($3,417,508 thousand), a ¥92,924 million increase compared to the previous fiscal year end. This was primarily due to a ¥80,120 million increase in retained earnings and a ¥19,394 million change in the foreign currency translation adjustment associated with the depreciation of the yen.

Cash Flow Performance

Net cash provided by operating activities during the year was ¥111,253 million ($1,080,965 thousand), compared to ¥42,992 million in the previous fiscal year. Net income before taxes and minority interests was ¥71,916 million. It was boosted by factors such as the recording of ¥38,725 million in depreciation expenses and a ¥18,401 million increase in notes and accounts payable, which outweighed negative factors such as a ¥16,060 million increase in accounts receivable.

Net cash used in investing activities was ¥39,519 million ($383,977 thousand) compared to ¥39,511 million in the previous fiscal year, as the Company used ¥40,379 million in the acquisition of property, plant and equipment, and intangible assets.

Net cash used in financing activities was ¥56,567 million ($549,621 thousand), compared to ¥21,298 in net cash provided by financing activities in the previous fiscal year. Although an issue of corporate bonds provided ¥20,000 million in income, the Company recorded a ¥72,496 million net decrease in short-term and long-term loans payable and ¥3,577 million in cash dividends paid.

As a result of the foregoing, cash and cash equivalents at the end of the period totaled ¥211,500 million ($2,054,994 thousand) compared to ¥184,639 million at the end of the previous fiscal year.

Policy on Profit Allocation / Dividends in the Period and Next Fiscal Year

The Company believes in distributing profits by maintaining stable dividend payments and seeks to increase cash flow through greater management efficiency and improved profitability. Profits are shared with stockholders as dictated by a comprehensive analysis of the funding requirements to support its business strategy and of its financial performance and situation. Epson’s goal is to sustain a consolidated dividend payout ratio of 30% over the medium- to long-term.

Epson plans to pay a year-end dividend of 37 yen per share. This figure was reached based on the company's financial performance for the 2013 fiscal year as well as on a comprehensive analysis of the company's financial situation, including mid-term financial performance trends and factors such as cash flows. The planned annual dividend will thus be 50 yen per share.

Epson plans to pay an annual dividend of 70 yen per share for the 2014 fiscal year.

Fiscal 2014 Forecast

Although there is concern that some emerging economies could see continued weakness, the global economy as a whole is expected to see stepped up improvement in the fiscal year beginning April 2014, largely as a result of a recovery in advanced economies.

Given this situation, Epson updated its mid-range business plan and, under this plan, will pursue a basic strategy of managing its businesses so that they create steady profit and avoiding the single-minded pursuit of revenue growth. Epson will make the generation of steady income its top priority.

The figures in the outlook are based on assumed exchange rates of 100 yen to the U.S. dollar and 135 yen to the euro.

Epson's financial outlook for the 2014 fiscal year is presented below.

Consolidated Financial Outlook (JGAAP*)

Consolidated Half-Year Result and Outlook

	FY2013 (Result)	FY2014 (Plan)	Change	
Net sales	¥468.6 billion	¥480.0 billion.	+¥11.3 billion	(+2.4%)
Operating income	¥34.0 billion	¥26.0 billion	-¥8.0 billion	(-23.6%)
Ordinary income	¥30.6 billion	¥26.0 billion	-¥4.6 billion	(-15.2%)
Net income	¥18.4 billion	¥20.0 billion	+¥1.5 billion	(+8.5%)
Exchange rates	$1USD = ¥99	$1USD = ¥100		
	1 euro = ¥130	1 euro = ¥135		

Consolidated Full-Year Results Outlook

	FY2013 (Result)	FY2014 (Plan)	Change	
Net sales	¥1,003.6 billion	¥1,010.0 billion	+¥6.3 billion	(+0.6%)
Operating income	¥84.9 billion	¥87.0 billion	+¥2.0 billion	(+2.4%)
Ordinary income	¥78.1 billion	¥88.0 billion	+¥9.8 billion	(+12.6%)
Net income	¥83.6 billion	¥65.0 billion	-¥18.6 billion	(-22.3%)
Exchange rates	$1USD = ¥100	$1USD = ¥100		
	1 euro = ¥134	1 euro = ¥135		

REF.: Consolidated Financial Outlook (IFRS*)

*From the first quarter (ending June 2014, fiscal year ending March 2015), Epson plans to change the financial disclosures from accounting principles generally accepted in Japan (JGAAP) to International Financial Reporting Standards (IFRS).

Consolidated Half-Year and Full-Year Outlook

	FY2014 (Plan)	
	Consolidated Half-Year Outlook	Full-Year
Revenue	¥480.0 billion	¥1,010.0 billion
Business profit*	¥24.0 billion	¥85.0 billion
Operating Profit	¥45.0 billion	¥104.0 billion
Profit	¥38.0 billion	¥80.0 billion
Exchange rates	$1USD = ¥100	$1USD = ¥100
	1 euro = ¥135	1 euro = ¥135

* Business profit = Revenue - cost of sales - selling, general and administrative expenses. Although not defined in the consolidated statements of comprehensive income, this indicator is very similar to the concept of operating income under JGAAP. Epson will present this information as a reference, as the Company believes users of financial statements will find it useful when evaluating Epson's financial performance.

Overview of the Business Group

Epson is primarily engaged in developing, manufacturing, selling, and providing services for products in four business segments: information-related equipment, devices and precision products, sensing and industrial solutions, and other.

Epson is organized into operations divisions that come under consolidated management. The majority of advanced R&D and product development is conducted in Japan (by Corporate R&D and R&D organizations in the various operations divisions), while manufacturing and sales activities are conducted around the world by Epson Group manufacturing and sales companies, both in Japan and abroad.

A brief description of Epson's various businesses is provided below along with a list of the main Epson Group companies involved in each segment.

From the current fiscal year, Epson has changed its business segments. Details of the changes are stated in 16. Segment information.

Information-related Equipment Business Segment

This segment comprises the printing systems business, visual communications business, and others. The business in this segment leverage Epson's unique Micro Piezo, microdisplay, and other technologies to develop, manufacture, and sell products.

<table>
<tr><th rowspan="2">Business area</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing companies</th><th>Sales companies</th></tr>
<tr><td>Printing Systems</td><td>Inkjet printers,
page printers,
color image scanners,
commercial inkjet printers,
serial impact dot matrix printers,
printers for use in POS systems,
inkjet label printers,
related consumables
and others</td><td>Tohoku Epson Corporation
Akita Epson Corporation
Epson Portland Inc.
Tianjin Epson Co., Ltd.
Epson Engineering (Shenzhen) Ltd.
Singapore Epson Industrial Pte. Ltd.
P.T. Indonesia Epson Industry
Epson Precision (Philippines), Inc.</td><td rowspan="2">Epson Sales Japan Corporation
Epson America, Inc.
Epson Europe B.V.
Epson (U.K.) Ltd.
Epson Deutschland GmbH
Epson France S.A.
Epson Italia s.p.a.
Epson Iberica, S.A.
Epson (China) Co., Ltd
Epson Korea Co., Ltd.
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.
Epson Australia Pty. Ltd.</td></tr>
<tr><td>Visual Communications</td><td>3LCD projectors,
high-temperature polysilicon TFT panels for 3LCD projectors,label printers, head mounted displays and others</td><td>Epson Engineering (Shenzhen) Ltd.
Epson Precision (Philippines), Inc.</td></tr>
<tr><td>Others</td><td>Personal computers and others</td><td>—</td><td>Epson Sales Japan Corporation
Epson Direct Corporation</td></tr>
</table>

Devices & Precision Products Business Segment:

This segment comprises the microdevices business and precision products business. These businesses leverage the Epson's traditional strengths in areas such as micromachining, low-power design, and high-density assembly to develop, manufacture and sell a variety of products.

<table>
<tr><th rowspan="2">Business area</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing companies</th><th>Sales companies</th></tr>
<tr><td rowspan="2">Microdevices</td><td>[Quartz device business]
Crystal units,
crystal oscillators,
quartz sensors and others</td><td>Miyazaki Epson Corporation
Akita Epson Corporation
Epson Precision Malaysia Sdn. Bhd.</td><td rowspan="2">Epson Electronics America, Inc.
Epson Europe Electronics GmbH
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.</td></tr>
<tr><td>[Semiconductor business]
CMOS LSIs and others</td><td>Tohoku Epson Corporation
Singapore Epson Industrial Pte. Ltd.</td></tr>
<tr><td rowspan="2">Precision products</td><td>[Watch business]
Watches, watch movements and others</td><td>Orient Watch Co.,Ltd.
Epson Precision (Shenzhen) Ltd.
Singapore Epson Industrial Pte. Ltd.</td><td>Orient Watch Co.,Ltd.
Time Module (Hong Kong) Ltd.</td></tr>
<tr><td>Metal powders,
surface finishing</td><td>Epson Atmix Corporation
Singapore Epson Industrial Pte. Ltd.</td><td>–</td></tr>
</table>

Sensing & Industrial solutions Business Segment

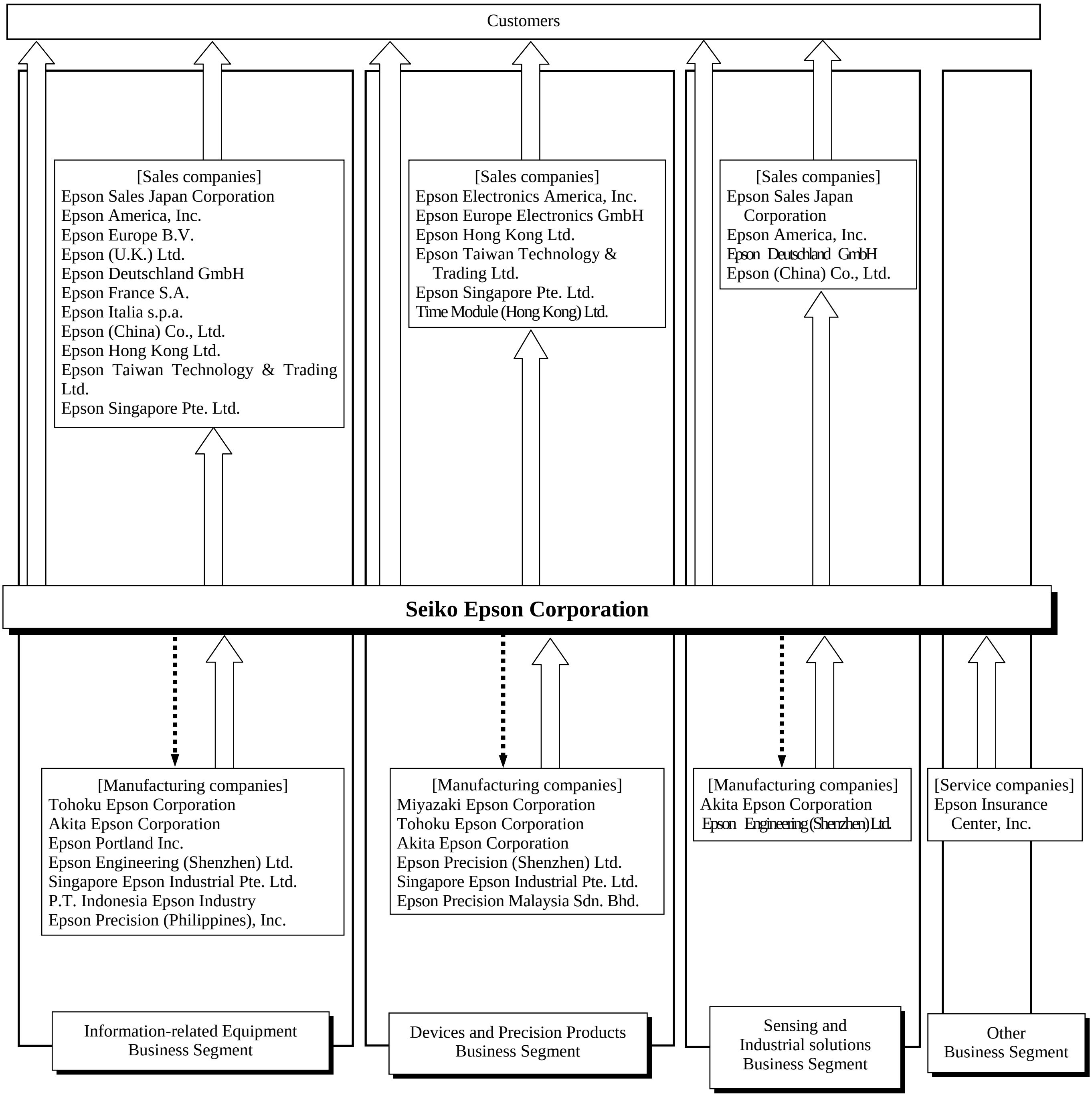
This segment uses advanced precision mechatronics and other technologies to provide industrial robots and other production systems that dramatically increase productivity. In the fields of personal healthcare and sports, these businesses combine sensing systems that have extremely accurate built-in sensors with cloud services to provide products and services that improve quality of life.

<table>
<tr><th rowspan="2">Business area</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing companies</th><th>Sales companies</th></tr>
<tr><td>Sensing and industrial solutions</td><td>Industrial robots,
IC handlers,
industrial inkjet printing systems,
sensing systems and others</td><td>Akita Epson Corporation
Epson Engineering (Shenzhen) Ltd.</td><td>Epson Sales Japan Corporation
Epson America, Inc.
Epson Deutschland GmbH
Epson (China) Co., Ltd.</td></tr>
</table>

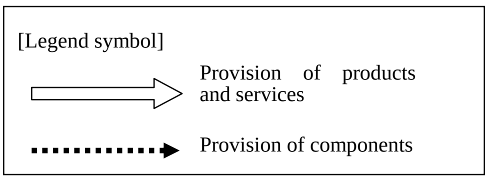
Other business segment:

This segment comprises the businesses of Epson Group companies that offer services for and within the Epson Group.

The following operations system diagram describes the overview of the business group outlined above.



Note: Time Module (Hong Kong) Ltd. is an equity method affiliate. All others are consolidated subsidiaries.



Management Policy

1. Fundamental management policy

Epson seeks to become an indispensable company by forging a community of robust businesses built on a foundation of long-established core competencies, especially precision technologies and technologies that reduce product size, space and energy requirements, and by providing products and services that delight customers around the world.
Using the Epson Management Philosophy below as a guide, we will strive to achieve our vision with employees who embrace a common set of values that enhance customer value and who act on their own initiative.

Epson is a progressive company,
trusted throughout the world
because of our commitment to customer satisfaction,
environmental conservation, individuality, and teamwork.
We are confident of our collective skills
and meet challenges with innovative and creative solutions.

2. Medium- and long-term corporate strategy and issues to be addressed

At the start of the 2013 fiscal year Epson began working under an updated three-year plan called the SE15 Updated Second-Half Mid-Range Business Plan (FY2013-15). We have been closely adhering to the strategic course charted by the SE15 Long-Range Corporate Vision and, in line with the updated plan, are pursuing a basic strategy of managing our businesses so that they create steady profit while avoiding the single-minded pursuit of revenue growth. Our top priority will be steady income and cash flow. To achieve this in existing segments, we will readjust our product mixes and adopt new business models. Meanwhile, we will aggressively develop markets in new segments. We will move steadily forward to lay the foundation for a metamorphosis during which Epson will change from being primarily a company that provides consumer imaging products into a company that once again posts strong growth by creating and providing new information solutions and equipment for businesses and professionals, as well as consumers.
Continued growth is forecast for the global economy. The advanced economies, led by the U.S., are expected to recover while the emerging economies continue to grow, albeit at a slower pace. Society is changing, shifting increasingly toward sustainable industry and sustainable economic activity. This trend will likely alter the kind of customer value that Epson will need to provide.
Under this type of business environment, we will remake Epson into a company that once again posts strong growth. We will achieve this by focusing our management resources on strategic segments where we can continue to leverage our unique strengths, by expanding our business segments, and by building stronger new businesses that will carry the future. Ultimately, we aim to achieve 10% ROS and 10% or better ROE on a sustained basis as early as possible during the mid-range business plan that starts in fiscal 2016, by which time Epson will have established a stable profit structure.

Basic Strategies in Each Business

<u>Printing Systems Business</u>

In the printing systems business we will look to create an innovative printing environment by leveraging inkjet technology. In inkjet printers we will adjust the product mix and roll out a new business model by launching models tailored to the needs of the office market and emerging markets. We will also boost competitiveness by releasing a succession of inkjet printers that feature new Micro Piezo print heads. At the same time, we will further enhance service and support that include IT solutions. In the business systems business, we will achieve steady income growth by uncovering new demand while maintaining a grip on the top share in existing segments.

Visual Communications Business

In the visual communications business we will create new forms of visual communication using microdisplay technology. In projectors, apart from continuing our efforts in existing market segments, we will look to expand our market footprint and improve earnings by enhancing our ability to recommend solutions and strengthening our sales network so as to elevate Epson's positioning in niches where we want to strengthen our presence, such as high-lumen projectors and short-throw lens projectors. Epson's glasses-like head-mounted displays (HMD) have the potential to change the way we live and work. Offering a see-through display and hands-free navigation, these HMDs give Epson an opportunity to create new applications and new value for both commercial and consumer markets.

Microdevices and Precision Products Businesses

In these businesses we will use unique, boundary-breaking technologies to continue creating products that only Epson can. The microdevices business has shored up its profit structure by revamping its product portfolio and cost structure. Going forward, we will secure steady income in this business by being a leader in miniaturization and performance and by creating products that provide customer value. The precision products business, undergirded by unique technology, will strive to improve profitability going forward by strengthening its lineup of high-added-value products such as GPS and high-end luxury watches and by growing its small yet highly profitable metal powder and surface finishing businesses.

Industrial Solutions Business

In the industrial solutions business we will employ advanced mechatronics to create robots and production systems that dramatically increase productivity. Epson's track record and a reputation for reliability have made us the market share leader in SCARA and 6-axis robots. Meanwhile, Epson textile printers and digital label presses are steadily gaining market traction. We will develop industrial solutions into a future core growth business by employing advanced mechatronics, including unique inkjet and intelligent robot technologies, to create industrial robots, inkjet systems, and other industrial solutions that dramatically increase productivity.

Sensing Systems Business

The sensing systems business will use high-precision sensors to create new value to improve people's lives. Over the past few years, we have been reaching into Epson's storehouse of component and sensing systems technologies to build new businesses around innovative sensing products, such as wristwatch-like GPS running monitors and pulse monitors. We will continue to develop these types of products as new growth drivers, integrating them with cloud-based systems to provide innovative solutions. Sensing solutions that convert raw sensor data into a practical, visual format have applications in areas such as sports, personal healthcare, and medicine, where they can be used to measure performance and monitor personal health, and in industry, where they can be used to monitor the health of facilities and infrastructure.

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2013	March 31, 2014	March 31, 2014
Assets			
Current assets			
Cash and deposits	¥106,678	¥118,570	$1,152,059
Notes and accounts receivable - trade	132,289	146,085	1,419,403
Short-term investment securities	70,012	85,013	826,010
Merchandise and finished goods	95,853	114,369	1,111,241
Work in process	45,677	44,423	431,626
Raw materials and supplies	21,998	24,835	241,303
Deferred tax assets	14,765	38,951	378,458
Other	33,582	31,305	304,202
Allowance for doubtful accounts	(1,399)	(1,102)	(10,707)
Total current assets	519,457	602,452	5,853,595
Non-current assets			
Property, plant and equipment			
Buildings and structures	395,133	396,485	3,852,361
Machinery, equipment and vehicles	420,835	420,981	4,090,371
Tools, furniture and fixtures	162,368	168,237	1,634,638
Land	51,878	50,263	488,369
Construction in progress	4,451	5,189	50,417
Other	120	143	1,401
Accumulated depreciation	(817,398)	(825,129)	(8,017,188)
Total property, plant and equipment	217,388	216,170	2,100,369
Intangible assets			
Goodwill	887	70	680
Other	12,481	14,661	142,470
Total intangible assets	13,368	14,732	143,150
Investments and other assets			
Investment securities	13,440	19,030	184,900
Long-term loans receivable	38	24	233
Deferred tax assets	5,307	5,014	48,717
Other	9,594	8,710	84,639
Allowance for doubtful accounts	(47)	(262)	(2,545)
Total investments and other assets	28,332	32,517	315,944
Total non-current assets	259,089	263,420	2,559,463
Total assets	¥778,547	¥865,872	$8,413,058

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2013	March 31, 2014	March 31, 2014
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥57,249	¥72,821	$707,549
Short-term loans payable	53,626	57,955	563,107
Current portion of bonds	—	20,000	194,325
Current portion of long-term loans payable	75,000	2,000	19,432
Accounts payable - other	51,782	50,642	492,052
Income taxes payable	7,338	13,689	133,006
Deferred tax liabilities	1	9	87
Provision for bonuses	13,035	22,754	221,084
Provision for directors' bonuses	—	81	787
Provision for product warranties	7,624	9,597	93,247
Other	61,030	64,085	622,711
Total current liabilities	326,688	313,636	3,047,387
Non-current liabilities			
Bonds payable	90,000	90,000	874,465
Long-term loans payable	52,500	50,500	490,672
Deferred tax liabilities	10,786	4,611	44,801
Provision for retirement benefits	29,304	—	—
Provision for loss on litigation	2,159	2,533	24,611
Provision for product warranties	652	502	4,877
Provision for recycle costs	577	654	6,354
Net defined benefit liability	—	44,221	429,663
Other	7,072	7,481	72,720
Total non-current liabilities	193,052	200,505	1,948,163
Total liabilities	519,740	514,141	4,995,550
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	516,945
Capital surplus	84,321	84,321	819,286
Retained earnings	179,305	259,426	2,520,656
Treasury stock			
March 31, 2014 - 20,927,083 shares			
March 31, 2013 - 20,925,261 shares	(20,453)	(20,457)	(198,774)
Total shareholders' equity	296,376	376,493	3,658,113
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,621	5,782	56,179
Deferred gains or losses on hedges	(1,911)	(1,034)	(10,046)
Foreign currency translation adjustment	(40,342)	(20,947)	(203,527)
Remeasurements of defined benefit plans	—	(10,951)	(106,412)
Total accumulated other comprehensive income	(39,631)	(27,151)	(263,806)
Minority interests	2,061	2,388	23,201
Total net assets	258,806	351,730	3,417,508
Total liabilities and net assets	¥778,547	¥865,872	$8,413,058

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Operations
Year ended March 31:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2013	March 31, 2014	March 31, 2014
Net sales	¥851,297	¥1,003,606	$9,751,321
Cost of sales	616,857	680,630	6,613,195
Gross profit	234,439	322,976	3,138,126
Selling, general and administrative expenses	213,184	238,007	2,312,553
Operating income	21,255	84,968	825,573
Non-operating income:			
Interest income	805	2,079	20,200
Rent income	1,200	1,112	10,804
Other	2,321	3,886	37,776
Total non-operating income	4,327	7,078	68,780
Non-operating expenses:			
Interest expenses	3,041	2,549	24,766
Foreign exchange losses	2,944	9,632	93,587
Other	1,967	1,744	16,955
Total non-operating expenses	7,953	13,926	135,308
Ordinary income	17,629	78,121	759,045
Extraordinary income:			
Gain on sales of non-current assets	215	313	3,041
Compensation income	—	741	7,199
Insurance income	4,463	340	3,303
Other	5	71	701
Total extraordinary income	4,684	1,466	14,244
Extraordinary loss:			
Impairment loss	4,605	4,315	41,925
Loss on litigation	16,268	2,227	21,638
Other	4,919	1,127	10,970
Total extraordinary losses	25,792	7,670	74,533
Income (loss) before income taxes and minority interests	(3,479)	71,916	698,756
Income taxes - current	7,964	18,709	181,781
Income taxes - deferred	(1,521)	(30,734)	(298,619)
Total income taxes	6,443	(12,025)	(116,838)
Income (loss) before minority interests	(9,922)	83,941	815,594
Minority interests in income	168	243	2,361
Net income (loss)	(¥10,091)	¥83,698	$813,233

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

Year ended March 31:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2013	March 31, 2014	March 31, 2014
Income (loss) before minority interests	(¥9,922)	¥83,941	$815,594
Other comprehensive income			
Valuation difference on available-for-sale securities	777	3,081	29,935
Deferred gains or losses on hedges	(897)	877	8,521
Foreign currency translation adjustment	25,353	19,523	189,712
Share of other comprehensive income of entities accounted for using equity method	102	142	1,379
Total other comprehensive income	25,335	23,625	229,547
Comprehensive income	¥15,413	¥107,566	$1,045,141
Comprehensive income attributable to;			
Comprehensive income attributable to owners of parent	¥14,954	¥107,130	$1,040,905
Comprehensive income attributable to minority interests	¥458	¥436	$4,236

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

Year ended March 31:

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2012	¥53,204	¥84,321	¥194,047	(¥20,453)	¥311,119	¥1,838	(¥1,013)	(¥65,502)	-	(¥64,676)	¥1,697	¥248,140
Changes of items during period												
Dividends of surplus	-	-	(4,651)	-	(4,651)	-	-	-	-	-	-	(4,651)
Net income (loss)	-	-	(10,091)	-	(10,091)	-	-	-	-	-	-	(10,091)
Purchase of treasury shares	-	-	-	(0)	(0)	-	-	-	-	-	-	(0)
Net changes of items other than shareholders' equity	-	-	-	-	-	783	(897)	25,160	-	25,045	363	25,409
Total changes of items during period	-	-	(14,742)	(0)	(14,742)	783	(897)	25,160	-	25,045	363	10,666
Balance at March 31, 2013	¥53,204	¥84,321	¥179,305	(¥20,453)	¥296,376	¥2,621	(¥1,911)	(¥40,342)	-	(¥39,631)	¥2,061	¥258,806

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Net Assets

Year ended March 31:

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2013	¥53,204	¥84,321	¥179,305	(¥20,453)	¥296,376	¥2,621	(¥1,911)	(¥40,342)	-	(¥39,631)	¥2,061	¥258,806
Changes of items during period												
Dividends of surplus	-	-	(3,577)	-	(3,577)	-	-	-	-	-	-	(3,577)
Net income (loss)	-	-	83,698	-	83,698	-	-	-	-	-	-	83,698
Purchase of treasury shares	-	-	-	(4)	(4)	-	-	-	-	-	-	(4)
Net changes of items other than shareholders' equity	-	-	-	-	-	3,160	877	19,394	(10,951)	12,480	327	12,807
Total changes of items during period	-	-	80,120	(4)	80,116	3,160	877	19,394	(10,951)	12,480	327	92,924
Balance at March 31, 2014	¥53,204	¥84,321	¥259,426	(¥20,457)	¥376,493	¥5,782	(¥1,034)	(¥20,947)	(¥10,951)	(¥27,151)	¥2,388	¥351,730

Thousands of U.S. dollars

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2013	$516,945	$819,286	$1,742,188	($198,728)	$2,879,691	$25,476	($18,567)	($391,964)	-	($385,055)	$20,025	$2,514,661
Changes of items during period												
Dividends of surplus	-	-	(34,765)	-	(34,765)	-	-	-	-	-	-	(34,765)
Net income (loss)	-	-	813,233	-	813,233	-	-	-	-	-	-	813,233
Purchase of treasury shares	-	-	-	(46)	(46)	-	-	-	-	-	-	(46)
Net changes of items other than shareholders' equity	-	-	-	-	-	30,703	8,521	188,437	(106,412)	121,249	3,176	124,425
Total changes of items during period	-	-	778,468	(46)	778,422	30,703	8,521	188,437	(106,412)	121,249	3,176	902,847
Balance at March 31, 2014	$516,945	$819,286	$2,520,656	($198,774)	$3,658,113	$56,179	($10,046)	($203,527)	($106,412)	($263,806)	$23,201	$3,417,508

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Year ended March 31:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2013	March 31, 2014	March 31, 2014
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	(¥3,479)	¥71,916	$698,756
Depreciation	39,320	38,725	376,263
Impairment loss	4,605	4,315	41,925
Share of (profit) loss of entities accounted for using equity method	(132)	(167)	(1,622)
Amortization of goodwill	871	816	7,928
Increase (decrease) in allowance for doubtful accounts	(265)	(252)	(2,448)
Increase (decrease) in provision for bonuses	4,411	9,540	92,693
Increase (decrease) in provision for product warranties	(715)	1,172	11,387
Increase (decrease) in provision for retirement benefits	5,136	-	-
Increase (decrease) in net defined benefit liability	-	3,459	33,608
Interest and dividend income	(1,018)	(2,305)	(22,396)
Interest expenses	3,041	2,549	24,766
Foreign exchange losses (gains)	(4,570)	(4,397)	(42,722)
Loss (gain) on sales of non-current assets	13	(396)	(3,847)
Loss on retirement of non-current assets	936	730	7,092
Loss on litigation	16,268	2,227	21,638
Loss (gain) on sales of investment securities	(5)	-	-
Decrease (increase) in notes and accounts receivable - trade	6,862	(16,060)	(156,043)
Decrease (increase) in inventories	18,588	(4,304)	(41,818)
Increase (decrease) in accrued consumption taxes	577	(2,160)	(20,987)
Increase (decrease) in notes and accounts payable - trade	(17,169)	18,401	178,789
Other, net	(4,230)	2,905	28,246
Subtotal	69,047	126,716	1,231,208
Interest and dividend income received	1,833	2,099	20,394
Interest expenses paid	(3,099)	(2,693)	(26,165)
Payments for loss on litigation	(14,095)	(4,068)	(39,525)
Income taxes paid	(10,692)	(10,799)	(104,947)
Net cash provided by (used in) operating activities	42,992	111,253	1,080,965
Cash flows from investing activities			
Purchase of investment securities	(0)	(500)	(4,858)
Proceeds from sales of investment securities	6	14	136
Purchase of property, plant and equipment	(39,816)	(33,627)	(326,729)
Proceeds from sales of property, plant and equipment	1,105	840	8,161
Purchase of intangible assets	(4,030)	(6,752)	(65,604)
Proceeds from transfer of business	3,147	-	-
Other, net	75	506	4,917
Net cash provided by (used in) investing activities	(39,511)	(39,519)	(383,977)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	16,962	2,503	24,319
Proceeds from long-term loans payable	50,000	-	-
Repayments of long-term loans payable	(30,500)	(75,000)	(728,721)
Proceeds from issuance of bonds	30,000	20,000	194,325
Redemption of bonds	(40,000)	-	-
Repayments of lease obligations	(417)	(379)	(3,682)
Purchase of treasury shares	(0)	(4)	(38)
Cash dividends paid	(4,651)	(3,577)	(34,755)
Cash dividends paid to minority shareholders	(94)	(110)	(1,069)
Net cash provided by (used in) financing activities	21,298	(56,567)	(549,621)
Effect of exchange rate change on cash and cash equivalents	9,830	11,695	113,622
Net increase (decrease) in cash and cash equivalents	34,609	26,861	260,989
Cash and cash equivalents at beginning of period	150,029	184,639	1,794,005
Cash and cash equivalents at end of period	¥184,639	¥211,500	$2,054,994

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

(1) Nature of operations

Seiko Epson Corporation (the "Company") was originally established as a manufacturer of watches but later expanded its business to provide key devices and solutions for the digital color imaging markets through the application of its proprietary technologies. The Company operates its manufacturing and sales business mainly in Japan, the Americas, Europe and Asia/Oceania.

(2) Basis of presenting consolidated financial statements

The Company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. Meanwhile its foreign subsidiaries maintain their records and prepare their financial statements in conformity with International Financial Reporting Standards or the generally accepted accounting principles in the United States. In addition, some items required by Japanese standards should be adjusted in the consolidation process so that net income is accurately accounted for, unless they are not material.

The amounts in the accompanying consolidated financial statements and the notes are rounded down.

2. Number of group companies

As of March 31, 2014, the Company had 86 consolidated subsidiaries. It has applied the equity method in respect to one unconsolidated subsidiary and six affiliates.

3. Changes in Accounting Policies, Changes in Accounting Estimates, and Corrections of Prior Period Errors

・Changes in accounting policies that are inseparable from changes in accounting estimates

Change in depreciation method for property, plant and equipment

The Company and its Japanese subsidiaries formerly used the declining-balance method (and the straight-line method for buildings acquired on or after April 1, 1998 [excluding equipments attached to buildings]) as the depreciation method for property, plant and equipment (excluding leased assets) but adopted the straight-line method from the beginning of this fiscal year.

The Company and its Japanese subsidiaries took the formulation of the Updated SE15 Second-Half Mid-Range Business Plan as an opportunity to review the depreciation method used for property, plant and equipment. Given that production equipment going forward will have broader utilization due to the deployment of Micro Piezo inkjet technology in a variety of printing systems and the widespread deployment of a compact printer platform to realize enhanced competitiveness, the Company and its Japanese subsidiaries expect the operation of production equipment to be consistent. The Company and its Japanese subsidiaries also have strengthen its structure by integrating the functions of its quartz business and semiconductor business in the devices and precision products segment and have improved productivity by optimizing the size of the businesses in this segment. As a result, it is expected the operation and loading of production equipment to be consistent. With the changes in the composition of these businesses and in the equipment usage plans, the Company and its Japanese subsidiaries expects production equipment to be used steadily over a long period of time. The Company and its Japanese subsidiaries have therefore adopted the straight-line method, concluding that recognizing expenses consistently would better reflect the characteristics of the businesses.

The change in the depreciation method did not have a material impact on consolidated financial statements.

・Change in estimates

Change in useful lives for property, plant and equipment

The Company and its Japanese subsidiaries have changed the useful lives of a part of property, plant and equipment, effective from the beginning of this fiscal year. With the change in the depreciation method, the Company and its Japanese subsidiaries revised the useful lives of production plant and equipment based on the current production, following a comprehensive review of factors such as years of service and payout time.

The change of the useful lives did not have a material impact on consolidated financial statements.

・Changes in accounting policies

Adoption of Accounting Standard for Retirement Benefits

Effective from the year ended March 31, 2014, the Company adopted the Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26 issued on May 17, 2012), and its Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 issued on May 17, 2012). (But, except article 35 of ASBJ Statement No. 26 and article 67 of ASBJ Guidance No. 25). Under the new Accounting Standard, pension assets are deducted from retirement benefit obligations and the net amount is recognized as liability for retirement benefits, and unrecognized actuarial gains and losses and unrecognized prior services costs are recorded as "Net defined benefit liability".

Regard to adoption the Accounting Standard for Retirement Benefits , in accordance with transitional accounting as stipulated in Article 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in accounting policies arising from initial application is recognized as “Remeasurements of defined benefit plans” in “Accumulated other comprehensive income” as of March 31, 2014.

As a result, “Net defined benefit liability” on the consolidated balance sheet has recorded by ¥44,221 million ($429,663 thousand) as of March 31, 2014. Besides, “Accumulated other comprehensive income” on the consolidated balance sheet has decreased by ¥10,951 million ($106,403 thousand).

Also, the effect on per share information has been described in “10. Net income (loss) per share”.

4. Summary of significant accounting policies

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and those of its subsidiaries that are controlled by Epson. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by other companies through the interests held by a party who has a close relationship with the parent in accordance with Japanese accounting standards. All significant inter-company transactions and accounts, along with unrealized inter-company profits, are eliminated upon consolidation.

Investments in affiliates in which Epson has significant influence are accounted for using the equity method. Consolidated income includes Epson's current equity in net income or loss of affiliates after elimination of significant unrealized inter-company profits.
The difference between the cost and the underlying net assets of investments in subsidiaries is recognized as "goodwill" and is included in the intangible assets account (if the cost is in excess) or in the noncurrent liabilities account (if the underlying net asset is in excess). Goodwill is amortized on a straight-line basis over a period of five years.

(2) Foreign currency translation and transactions

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates, and the resulting transaction gains or losses are included in income for the current period.

All the assets and liabilities of foreign subsidiaries and affiliates are translated at the foreign exchange rates prevailing at the respective balance sheet dates, and all the income and expense accounts are translated at the average foreign exchange rates for the respective periods. Foreign currency translation adjustments are recorded in the consolidated balance sheets as translation adjustments and minority interest in subsidiaries.

(3) Cash and cash equivalents

Cash and cash equivalents included in the consolidated financial statements comprise cash on hand, bank deposits that may be withdrawn on demand, and highly liquid investments purchased with initial maturities of three months or less, and which present low risk of fluctuation in value.

(4) Financial instruments

(a) Investments in debt and equity securities

Investments in debt and equity securities are classified into three categories: 1) trading securities, 2) held-to-maturity debt securities, or 3) other securities. These categories are treated differently for purposes of measuring and accounting for changes in fair value.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair values in the consolidated balance sheets. Changes in unrealized gains and losses are included in current income. Held-to-maturity debt securities are expected to be held to maturity and are recognized at amortized cost computed based on the straight-line method in the consolidated balance sheets. Other securities for which market quotations are available are recognized at fair value in the consolidated balance sheets. Unrealized gains and losses for these other securities are reported as a separate component of net assets, net of taxes. Other securities for which market quotations are unavailable are stated at cost, primarily based on the moving-average cost method. Other-than-temporary declines in the value of other securities are reflected in current income.

(b) Derivative instruments

Derivative instruments (i.e., forward exchange contracts and Non-Deliverable Forward) are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period.

(c) Allowance for doubtful accounts

Allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience from certain prior periods.

(5) Inventories

Inventories are stated at the lower of cost or market value, where cost is primarily determined using the weighted-average cost method.

(6) Property, plant and equipment

Property, plant and equipment, including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. Depreciation of property, plant and equipment is mainly computed based on the straight-line method for the Company and its Japanese subsidiaries and foreign subsidiaries at rates based on estimated useful lives.

The estimated useful lives of significant depreciable assets principally range from 10 to 35 years for buildings and structures, and from 2 to 12 years for machinery, equipment and vehicles.

(7) Intangible assets

Amortization of intangible assets is computed using the straight-line method. Amortization of software for internal use is computed using the straight-line method over its estimated useful life, ranging from three to five years.

(8) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered to be impaired, an impairment charge is recorded for the excess of the carrying value of the long-lived asset over its recoverable amount.

(9) Provision for bonuses

Provision for bonuses to employees is calculated on the basis of the estimated amounts that Epson is obligated to pay its employees after the fiscal year-end for services provided up to the balance sheet dates.

Provision for bonuses to directors and statutory auditors are provided for the estimated amounts that the Company is obligated to pay to directors and statutory auditors subject to the resolution of the general shareholders' meeting held subsequent to the fiscal year-end.

(10) Provision for product warranties

Epson provides an accrual for estimated future warranty costs based on the historical relationship of warranty costs to net sales. Specific warranty provisions are made for those products where warranty expenses can be specifically estimated.

(11) Provision for loss on litigation

Provision for loss on litigation is mainly provided for the estimated future compensation payment and litigation expenses.

(12) Income taxes

The provision for income taxes is computed based on income before income taxes and minority interest in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

The Company applies the consolidated tax return system for the calculation of income taxes. Under the consolidated tax return system, the Company consolidates all wholly-owned domestic subsidiaries based on Japanese tax regulations.

(13) Accounting method for retirement benefits

For prepare with retirement benefit of employees, plan assets are deducted from retirement benefit obligations and the net amount is recognized as “Net defined benefit liability” based on the estimated amount for this fiscal year on Consolidated Balance Sheets.
Recognized prior service costs are amortized based on the straight-line method over a period of five years beginning at the date of adoption of the plan amendment on Consolidated Statements of Operations. Recognized actuarial gains and losses are amortized based on the straight-line method over a period of five years starting from the beginning of the subsequent year on Consolidated Statements of Operations.
The unrecognized actuarial gains and losses and the unrecognized prior services costs have been recorded as “Remeasurements of defined benefit plans” in “Accumulated other comprehensive income” after the effect of income taxes within the net asset section.

(14) Provision for recycling costs

At the time of sale, provision for recycling costs is calculated based on the estimated future returns of consumer personal computers.

(15) Revenue recognition

Revenue from sale of goods is recognized at the time when goods are shipped. Revenue from services is recognized when services are rendered and accepted by customers.

(16) Research and development costs

Research and development costs are charged as incurred.

(17) Leases

Epson leases certain office space, machinery and equipment and computer equipment from third parties using capital leases. Most of the capital leases are other than those under which ownership of the assets will be transferred to the lessee at the end of the lease term, and are depreciated/amortized in accordance with the straight-line method over the periods of the leases, assuming no residual value.

(18) Net income per share

Net income per share is computed based on the weighted-average number of common shares outstanding during each fiscal period.

(19) Dividends

Dividends are charged to retained earnings in the fiscal year in which they are paid after approval by shareholders. In addition to year-end dividends, the board of directors may declare interim cash dividends by resolution to the registered shareholders as of September 30 of each year.

5. U.S. dollar amounts

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. As the amounts shown in U.S. dollars are for convenience only, a rate of ¥102.92 = U.S.$1, the exchange rate prevailing as of March 31, 2014, has been used.

6. Inventories

Losses recognized and charged to cost of sales as a result of valuations as of March 31, 2013 and 2014, were ¥31,594 million and ¥31,783 million ($308,812 thousand), respectively.

7. Investment securities for unconsolidated subsidiaries and affiliates

The amounts of investments in unconsolidated subsidiaries and affiliates, which were included in the investment securities account as of March 31, 2013 and 2014, were ¥3,390 million and ¥3,877 million ($37,670 thousand), respectively.

8. Retirement benefits

The Company and its Japanese subsidiaries maintain corporate defined benefit pension plans and defined contribution pension plans covering the majority of their employees. In certain cases, additional severance costs may be provided.

(1). Defined benefit pension plans

(a)Reconciliation of beginning and ending balances of the projected benefit obligations was as follows.

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations at beginning of year	¥276,540	$2,686,941
Service cost	8,888	86,358
Interest cost	5,499	53,429
Actuarial loss(gain)	(1,783)	(17,324)
Benefits paid	(13,252)	(128,760)
Others	4,929	47,882
Projected benefit obligations at end of year	¥280,821	$2,728,526

(b)Reconciliation of beginning and ending balances of plan assets at fair value was as follows.

	Millions of yen	Thousands of U.S. dollars
Plan assets at fair value at beginning of year	¥217,702	$2,115,254
Expected return on plan assets	5,717	55,547
Actuarial gain(loss)	9,047	87,903
Employer contributions	11,906	115,682
Benefits paid	(11,203)	(108,851)
Others	3,894	37,846
Plan assets at fair value at end of year	¥237,064	$2,303,381

(c)Reconciliation of amounts recognized in the consolidated balance sheets as of March 31, 2014 was as follows.

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations (funded plans)	¥277,559	$2,696,832
Plan assets at fair value	(237,064)	(2,303,381)
	40,494	393,451
Projected benefit obligations (unfunded plans)	3,262	31,694
Net defined benefit liability	¥43,756	$425,145
Gross defined benefit liability	¥44,221	$429,663
Gross defined benefit asset	(465)	(4,518)
Net defined benefit liability	¥43,756	$425,145

(d) The composition of net pension and severance costs for the year ended March 31, 2014, was as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥8,888	$86,922
Interest cost	5,499	53,429
Expected return on plan assets	(5,717)	(55,547)
Amortization and expenses:		
Actuarial loss	9,352	90,866
Prior service cost	(154)	(1,496)
Others	57	564
Net pension and severance costs	¥17,926	$174,174

(e) The amounts recognized in accumulated other comprehensive income (loss) before the effect of income taxes as of March 31, 2014 was as follows:

	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial loss	(¥97)	($942)
Unrecognized prior service cost	11,575	112,465
Total	¥11,478	$111,523

(f)The significant components of plan assets as of March 31, 2014, by asset category, was as follows:

	Millions of yen	Thousands of U.S. dollars
Debt securities	¥66,408	$645,239
Equity securities	46,162	448,523
Cash and deposits	2,687	26,107
Life insurance company general accounts	82,716	803,692
Alternative investments	31,768	308,676
Others	7,320	71,154
Total	¥237,064	$2,303,381

(g)The expected long-term rate of return on plan assets is determined based on the current and expected future distribution of plan assets and the current and expected future long-term rate of return of various assets of which plan assets are composed.

(h)The weighted-average assumptions used for the actuarial computation of the retirement benefit obligations for the year ended March 31, 2014 was primarily as follows:

Discount rate	1.7%
Expected Long-term rate of return on plan assets	2.5

(2) Defined contribution pension plans

The amounts of contribution to defined contribution pension plan of the Company and certain of its subsidiaries were ¥5,237million ($50,884thousand) for the year ended March 31, 2014.

9. Net income (loss) per share

The calculation of net income (loss) per share for the years ended March 31, 2013 and 2014, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2013	2014	2014
Net income (loss) attributable to common shares	(¥10,091)	¥83,698	$813,233
	Thousands of shares		
Weighted-average number of common shares outstanding	178,893	178,891	
	Yen		U.S. dollars
Net income (loss) per share	(¥56.41)	¥467.87	$4.54

Diluted net income per share is not calculated herein since a net loss was incurred and Epson had no dilutive potential common shares outstanding during the year ended March 31, 2013. Diluted net income per share is not calculated herein since Epson had no dilutive potential common shares outstanding during the year ended March 31, 2014

10. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2013 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2013	2014	2014
Salaries and wages	¥66,783	¥80,469	$781,859
Retirement benefit expenses	7,292	6,623	64,350
Advertising	14,956	16,214	157,539
Sales promotion	18,128	20,743	201,544
Shipping costs	12,647	14,646	142,304
Research and development costs	18,992	18,832	182,977
Allowance for doubtful accounts	(5)	407	3,954
Other	74,420	80,070	778,026
Total	¥213,184	¥238,007	$2,312,553

11. Research and development costs

Research and development costs, which are included in the cost of sales and selling, general and administrative expenses, totaled ¥49,923 million and ¥50,531 million ($490,973 thousand) for the years ended March 31, 2013 and 2014, respectively.

12. Compensation income

Compensation income for the year ended March 31, 2014 comprised the compensation receipts based on the statement of mutual agreement with Tokyo Electric Power Company due to losses caused by accidents at Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company.

13. Loss on litigation

Loss on litigation for the years ended March 31, 2013 and 2014, mainly comprised the settlement of the lawsuits concerning the allegations of a LCD price-fixing cartel.

14. Cash flow information

Cash and cash equivalents as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2013	2014	2014
Cash and deposits	¥106,678	¥118,570	$1,152,059
Short-term investment securities	70,012	85,013	826,010
Short-term loans receivables	8,000	8,000	77,730
Less:			
Time deposits due over three months	(39)	(69)	(679)
Short-term investment securities due over three months	(12)	(13)	(126)
Cash and cash equivalents	¥184,639	¥211,500	$2,054,994

The Company obtained marketable securities, the fair value of which was ¥7,997 million and ¥7,999 million ($77,720 thousand) as of March 31, 2013 and 2014, respectively, as deposit for the short-term loans receivables above.

15. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others were ¥391 million and ¥270 million ($2,623 thousand) as of March 31, 2013 and 2014, respectively.

16. Segment information

(1) Year ended March 31:

(a) Summary of reporting segments

Epson and its subsidiaries conduct manufacturing and sales of products worldwide under the management of the Company's operations divisions. In order for the board of directors to determine the allocation of resources and assess business results, the operations divisions make individual financial reports, and correspond to business segments that are subject to regular review.

Epson has consolidated these business segments into three reporting segments based on the type and characteristics of products and services, and on manufacturing and sales methods. Epson reviewed management systems and has changed reporting segments from two segments, the information-related equipment segment and the devices and precision products segment, to three segments by adding the sensing and industrial solutions segment from the beginning of this fiscal year.
Segment information for the three months and twelve months ended 31, 2013 has been recalculated based on new reporting segments.

The Company and its Japanese subsidiaries changed their depreciation method for property, plant and equipment (excluding leased assets) to apply the straight-line method from the beginning of this fiscal year instead of the declining-balance method. The change in the depreciation method did not have a material impact on segment information.

The Company and its Japanese subsidiaries have changed the useful lives of a part of property, plant and equipment, effective from the beginning of this fiscal year. The change of the useful lives did not have a material impact on segment information.

Epson conducts development, manufacturing and sales within its reporting segments as follows.

The information-related equipment segment mainly includes inkjet printers, page printers, color image scanners, commercial inkjet printers, serial impact dot matrix printers, printers for use in POS systems, inkjet label printers and related supplies, 3LCD projectors, HTPS-TFT panels for 3LCD projectors, label printers, Personal computers and others.

The devices & precision products segment mainly includes Crystal units, crystal oscillators, quartz sensors, CMOS LSIs, Watches, watch movements, Metal powders, surface finishing and others.

The sensing & industrial solutions segment mainly includes Industrial robots, IC handlers, industrial inkjet printing systems, sensing systems and others.

(b) Measurement of the amount of sales, income (loss), assets and other in each reporting segment

The accounting policies of the reporting segments are the same as “Basis of presenting consolidated financial statements”.

Segment income (loss) is based on operating income (loss).

Transfer prices between operating segments are on an arm’s length basis.

(c) Information of the amount of sales , income (loss), assets and other in each reporting segment

The following table summarizes the reporting segment information of Epson for the year ended March 31, 2013 and 2014:

	Millions of yen							
	Year ended March 31, 2013							
	Reporting segments				Other [Note 1]	Total	Adjustments [Note 2]	Consolidated
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Total				
Net sales:								
Customers	¥685,427	¥134,748	¥11,328	¥831,504	¥856	¥832,361	¥18,936	¥851,297
Inter-segment	435	6,041	84	6,561	416	6,978	(6,978)	-
Total	685,862	140,790	11,413	838,066	1,273	839,339	11,957	851,297
Segment income (loss) (Operating income)	51,746	8,638	(9,614)	50,770	(165)	50,604	(29,349)	21,255
Segment assets	367,600	110,729	13,206	491,536	735	492,271	286,276	778,547
Other								
Depreciation and amortization	26,229	8,068	586	34,884	96	34,981	4,198	39,179
Increase in property, plant, equipment and intangible assets	33,447	6,723	578	40,749	9	40,758	2,655	43,413
Amortization of goodwill	¥–	¥883	¥–	¥883	¥–	¥883	¥36	¥919

	Millions of yen							
	Year ended March 31, 2014							
	Reporting segments				Other [Note 1]	Total	Adjustments [Note 2]	Consolidated
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Total				
Net sales:								
Customers	¥835,988	¥143,928	¥16,019	¥995,935	¥892	¥996,827	¥6,778	¥1,003,606
Inter-segment	447	5,028	161	5,638	441	6,079	(6,079)	-
Total	836,436	148,956	16,181	1,001,573	1,334	1,002,907	699	1,003,606
Segment income (loss) (Operating income)	121,531	9,733	(10,183)	121,081	(258)	120,822	(35,854)	84,968
Segment assets	415,971	109,804	11,210	536,987	733	537,721	328,151	865,872
Other								
Depreciation and amortization	25,503	7,795	715	34,014	20	34,034	4,510	38,545
Increase in property, plant, equipment and intangible assets	26,897	8,008	815	35,721	11	35,732	3,732	39,465
Amortization of goodwill	¥–	¥828	¥–	¥828	¥–	¥828	¥14	¥842

	Thousands of U.S. dollars							
	Year ended March 31, 2014							
	Reporting segments				Other [Note 1]	Total	Adjustments [Note 2]	Consolidated
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Total				
Net sales:								
Customers	$8,122,697	$1,398,445	$155,645	$9,676,787	$8,667	$9,685,454	$65,867	$9,751,321
Inter-segment	4,353	48,853	1,574	54,780	4,295	59,075	(59,075)	-
Total	8,127,050	1,447,298	157,219	9,731,567	12,962	9,744,529	6,792	9,751,321
Segment income (loss) (Operating income)	1,180,829	94,568	(98,940)	1,176,457	(2,517)	1,173,940	(348,367)	825,573
Segment assets	4,041,713	1,066,886	108,919	5,217,518	7,132	5,224,650	3,188,408	8,413,058
Other								
Depreciation and amortization	247,804	75,738	6,947	330,489	195	330,684	43,830	374,514
Increase in property, plant, equipment and intangible assets	261,349	77,808	7,918	347,075	107	347,182	36,271	383,453
Amortization of goodwill	$-	$8,045	$-	$8,045	$-	$8,045	$136	$8,181

Notes;

1. Intra-group services business are categorized within “Other.”
2. Adjustments were as follows.

Net sales	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Corporate expenses *1	¥18,978	¥6,824	$66,304
Eliminations	(7,020)	(6,125)	(59,512)
Total	¥11,957	¥699	$6,792

Segment income (loss)
(Operating income)

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Corporate expenses *1	(¥29,626)	(¥35,999)	($349,775)
Eliminations	277	145	1,408
Total	(¥29,349)	(¥35,854)	($348,367)

Segment assets

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Corporate expenses *1	¥294,025	¥334,529	$3,250,368
Eliminations	(7,749)	(6,377)	(61,960)
Total	¥286,276	¥328,151	$3,188,408

Other

(1) Depreciation and amortization that is categorized under adjustments comprises expenses that do not correspond to the reporting segments. It includes expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

(2) Increase in property, plant, equipment and intangible assets:

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Corporate expenses *1	¥2,396	¥2,076	$20,181
Intangible assets *2	259	1,656	16,090
Total	¥2,655	¥3,732	$36,271

(3) Amortization of goodwill that is categorized under adjustments does not correspond to the reporting segments.

*1. "Corporate expenses" comprise expenses that do not correspond to the reporting segments. These include expenses relating to research and development for new businesses and basic technology, and general corporate expenses. Epson transferred the optical products business, which was categorized under "Devices & precision products" in the prior fiscal year, to "Corporate expenses".

*2. Intangible assets are non-subject to regular review as capital expenditure.

(d) Information of geographic areas

Sales by country:

The following table summarizes the amount of revenue from external customers for the year ended March 31, 2013 and 2014:

	Millions of yen				
	Year ended March 31, 2013				
	Japan	The United States	China (including Hong Kong)	Other	Total
Net sales	¥266,644	¥139,067	¥102,500	¥343,085	¥851,297

	Millions of yen				
	Year ended March 31, 2014				
	Japan	The United States	China (including Hong Kong)	Other	Total
Net sales	¥278,718	¥175,868	¥124,692	¥424,327	¥1,003,606

	Thousands of U.S. dollars				
	Year ended March 31, 2014				
	Japan	The United States	China (including Hong Kong)	Other	Total
Net sales	$2,708,103	$1,708,783	$1,211,542	$4,122,893	$9,751,321

[Note] Each country's net sales are based on the location of the customers.

Property, plant and equipment by country:

The following table summarizes property, plant and equipment by countries for the year ended March 31, 2013 and 2014:

	Millions of yen		
	Year ended March 31, 2013		
	Japan	Other	Total
Property, plant and equipment	¥155,176	¥62,212	¥217,388

	Millions of yen		
	Year ended March 31, 2014		
	Japan	Other	Total
Property, plant and equipment	¥149,784	¥66,386	¥216,170

	Thousands of U.S. dollars		
	Year ended March 31, 2014		
	Japan	Other	Total
Property, plant and equipment	$1,455,343	$645,026	$2,100,369

(e) Information of impairment loss

The following table summarizes information of impairment loss in each reporting segment for the year ended March 31, 2013 and 2014:

	Millions of yen					
	Year ended March 31, 2013					
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Other	Corporate expenses [Note]	Total
Impairment loss	¥551	¥14	¥−	¥−	¥4,039	¥4,605

[Note] "Corporate expenses" comprise expenses that do not correspond to the reporting segments. These include expenses relating to research and development for new businesses and basic technology, and general corporate expenses. Epson transferred the optical products business, which was categorized under "Devices & precision products" in the prior fiscal year, to "Corporate expenses".

	Millions of yen					
	Year ended March 31, 2014					
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Other	Corporate expenses [Note]	Total
Impairment loss	¥222	¥1	¥438	¥–	¥3,653	¥4,315

	Thousands of U.S. dollars					
	Year ended March 31, 2014					
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Other	Corporate expenses [Note]	Total
Impairment loss	$2,157	$9	$4,255	$–	$35,504	$41,925

[Note] Corporate expenses comprise expenses that do not correspond to the reporting segments. These include expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

(f) Information of goodwill

The following table summarizes information of goodwill in each reporting segments for the year ended March 31, 2013 and 2014:

	Millions of yen					
	Year ended March 31, 2013					
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Other	Corporate expenses	Total
Goodwill	¥–	¥898	¥–	¥–	¥14	¥912

	Millions of yen					
	Year ended March 31, 2014					
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Other	Corporate expenses	Total
Goodwill	¥–	¥70	¥–	¥–	¥–	¥70

	Thousands of U.S. dollars					
	Year ended March 31, 2014					
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Other	Corporate expenses	Total
Goodwill	$–	$680	$–	$–	$–	$680

The following table summarizes information of amortization of negative goodwill and balance of negative goodwill from the subsidiary's acquisitions before April 1, 2010 for the year ended March 31, 2013 and 2014:

	Millions of yen					
	Year ended March 31, 2013					
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Other	Corporate expenses	Total
Amortization of negative goodwill	¥–	¥48	¥–	¥–	¥–	¥48
Negative goodwill	¥–	¥25	¥–	¥–	¥–	¥25

	Millions of yen					
	Year ended March 31, 2014					
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Other	Corporate expenses	Total
Amortization of negative goodwill	¥–	¥25	¥–	¥–	¥–	¥25
Negative goodwill	¥–	¥–	¥–	¥–	¥–	¥–

	Thousands of U.S. dollars					
	Year ended March 31, 2014					
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Other	Corporate expenses	Total
Amortization of negative goodwill	$–	$242	$–	$–	$–	$242
Negative goodwill	$–	$–	$–	$–	$–	$–

(g) Information of gain on negative goodwill

Gain on negative goodwill did not occur during the year ended March 31, 2013 and 2014:

(2) <u>Three months ended March 31:</u>

The following table summarizes the business segment information of Epson for the three months ended March 31, 2013 and 2014:

Millions of yen

	Three months ended March 31, 2013								
	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	¥182,791	¥30,548	¥2,997	¥216,338	¥345	¥216,683	¥10,460	-	¥227,144
Inter-segment	98	1,003	23	1,124	97	1,221	2	(¥1,224)	-
Total	182,890	31,551	3,020	217,462	442	217,905	10,463	(1,224)	227,144
Segment income (loss) (Operating income)	¥13,755	¥706	(¥2,249)	¥12,212	¥16	¥12,229	(¥2,816)	¥47	¥9,460

Millions of yen

	Three months ended March 31, 2014								
	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	¥214,415	¥32,556	¥5,529	¥252,500	¥322	¥252,823	¥290	-	¥253,113
Inter-segment	108	1,405	20	1,534	125	1,660	9	(¥1,669)	-
Total	214,523	33,961	5,550	254,035	447	254,483	300	(1,669)	253,113
Segment income (loss) (Operating income)	¥23,850	(¥351)	(¥2,531)	¥20,968	(¥10)	¥20,957	(¥10,940)	¥32	¥10,049

Thousands of U.S. dollars

	Three months ended March 31, 2014								
	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	$2,083,317	$316,323	$53,721	$2,453,361	$3,139	$2,456,500	$2,817	-	$2,459,317
Inter-segment	1,060	13,651	204	14,915	1,214	16,129	87	($16,216)	-
Total	2,084,377	329,974	53,925	2,468,276	4,353	2,472,629	2,904	(16,216)	2,459,317
Segment income (loss) (Operating income)	$231,732	($3,410)	($24,591)	$203,731	($107)	$203,624	($106,296)	$310	$97,638

Notes;

1. Intra-group services business are categorized within "Other."
2. "Corporate expenses" comprise expenses that do not correspond to the reporting segments. These include expenses relating to research and development for new businesses and basic technology, and general corporate expenses. Epson transferred the optical products business, which was categorized under "Devices & precision products" in the prior fiscal year, to "Corporate expenses".

17. Subsequent events

Revision to defined benefit corporate pension plans

As of April 1, 2014, the company and its Japanese subsidiaries have revised its defined benefit corporate pension plans for domestic employees for the purposes to absorb future changes of the environment surrounding the company and to operate the fund stably over the future periods.

Regarding the amounts of the effect for the year ending March 2015 and after, the company forecasts a decline in expenses due to the decrease of retirement benefit obligation. Since the company is currently calculating the amount of retirement benefit obligations under the revised plans, the amounts of the effect have not been determined yet as of now.

Supplementary Information

Consolidated year ended March 31, 2014

Cautionary Statement

This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements are subject to various risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Epson include, but are not limited to, general economic conditions, the ability of Epson to continue to timely introduce new products and services in markets, consumption trends, competition, technology trends, and exchange rate fluctuations.

1. Sales by division

(Unit: billion yen)

	Year ended March 31, 2013(JGAAP)	Year ended March 31, 2014(JGAAP)	Increase %	Forecast for the year ended March 31, 2015(JGAAP)	Forecast for the year ended March 31, 2015(IFRS)
Information-related equipment	685.8	836.4	22.0%	850.0	850.0
Printing Systems	538.1	647.4	20.3%	663.0	663.0
Visual Communications	130.8	163.8	25.2%	171.0	171.0
Other	17.5	26.7	52.1%	17.0	17.0
Intra-segment sales	(0.7)	(1.5)	-%	(1.0)	(1.0)
Devices & precision products	140.7	148.9	5.8%	145.0	145.0
Microdevices	93.3	93.1	(0.2%)	87.0	87.0
Precision Products	51.3	61.4	19.5%	63.0	63.0
Intra-segment sales	(3.9)	(5.6)	-%	(5.0)	(5.0)
Sensing & industrial solutions	11.4	16.1	41.8%	19.0	19.0
Other	1.2	1.3	4.8%	1.0	1.0
Corporate expenses	18.9	6.8	(64.0%)	4.0	4.0
Inter-segment sales	(7.0)	(6.1)	-%	(9.0)	(9.0)
Consolidated sales	851.2	1,003.6	17.9%	1,010.0	1,010.0

Note: 1.The segment information figures for FY2012 have been recalculated using the method used in FY2013.
2. “Other” is business segment not categorized in reporting segments.
3.JGAAP: Accounting principles generally accepted in Japan.
4.IFRS: Revenue is shown in place of Net sales

2. Business segment information

(Unit: billion yen)

	Year ended March 31, 2013(JGAAP)	Year ended March 31, 2014(JGAAP)	Increase %	Forecast for the year ended March 31, 2015(JGAAP)	Forecast for the year ended March 31, 2015(IFRS)
Information-related equipment					
Net sales:					
Customers	685.4	835.9	22.0%	850.0	850.0
Inter-segment	0.4	0.4	2.9%	0.0	0.0
Total	685.8	836.4	22.0%	850.0	850.0
Operating expenses	634.1	714.9	12.7%	726.0	727.0
Segment income (loss)	51.7	121.5	134.9%	124.0	123.0
Devices & precision products					
Net sales:					
Customers	134.7	143.9	6.8%	137.0	137.0
Inter-segment	6.0	5.0	(16.8%)	8.0	8.0
Total	140.7	148.9	5.8%	145.0	145.0
Operating expenses	132.1	139.2	5.4%	133.0	134.0
Segment income (loss)	8.6	9.7	12.7%	12.0	11.0
Sensing & industrial solutions					
Net sales:					
Customers	11.3	16.0	41.4%	19.0	19.0
Inter-segment	0.0	0.1	91.4%	0.0	0.0
Total	11.4	16.1	41.8%	19.0	19.0
Operating expenses	21.0	26.3	25.4%	30.0	30.0
Segment income (loss)	(9.6)	(10.1)	-%	(11.0)	(11.0)
Other					
Net sales:					
Customers	0.8	0.8	4.2%	0.0	0.0
Inter-segment	0.4	0.4	6.0%	1.0	1.0
Total	1.2	1.3	4.8%	1.0	1.0
Operating expenses	1.4	1.5	10.6%	1.0	1.0
Segment income (loss)	(0.1)	(0.2)	-%	0.0	0.0
Corporate expenses					
Net sales:					
Customers	18.9	6.7	(64.2%)	4.0	4.0
Inter-segment	0.0	0.0	9.5%	0.0	0.0
Total	18.9	6.8	(64.0%)	4.0	4.0
Operating expenses	48.6	42.8	(11.9%)	42.0	42.0
Segment income (loss)	(29.6)	(35.9)	-%	(38.0)	(38.0)
Eliminations					
Net sales	(7.0)	(6.1)	-%	(9.0)	(9.0)
Operating expenses	(7.2)	(6.2)	-%	(9.0)	(9.0)
Segment income (loss)	0.2	0.1	(47.4%)	0.0	0.0
Consolidated					
Net sales	851.2	1,003.6	17.9%	1,010.0	1,010.0
Operating expenses	830.0	918.6	10.7%	923.0	925.0
Segment income (loss)	21.2	84.9	299.8%	87.0	85.0

Note: 1.The segment information figures for FY2012 have been recalculated using the method used in FY2013.
2. “Other” is business segment not categorized in reporting segments.
3.JGAAP: Accounting principles generally accepted in Japan.
4.IFRS: Revenue is shown in place of Net sales. Cost of Sales + Selling, general, and administrative expenses is shown in place of Operating expenses. Revenue - Cost of Sales - Selling, general, and adminisitrative expenses is shown in place of segment income.

3. Geographic segment information

(Unit: billion yen)

	Year ended March 31, 2013(JGAAP)	Year ended March 31, 2014(JGAAP)	Increase	Increase %
Japan				
Net sales:				
Customers	312.3	327.4	15.1	4.9%
Inter-segment	407.2	517.6	110.3	27.1%
Total	719.5	845.0	125.5	17.4%
Operating expenses	713.2	790.4	77.1	10.8%
Segment income (loss)	6.3	54.6	48.3	765.1%
The Americas				
Net sales:				
Customers	197.6	259.6	61.9	31.3%
Inter-segment	13.8	15.7	1.8	13.6%
Total	211.5	275.4	63.8	30.2%
Operating expenses	205.7	267.1	61.3	29.8%
Segment income (loss)	5.7	8.2	2.4	42.9%
Europe				
Net sales:				
Customers	170.7	210.7	40.0	23.4%
Inter-segment	6.6	7.9	1.3	20.0%
Total	177.3	218.7	41.3	23.3%
Operating expenses	178.4	215.2	36.7	20.6%
Segment income (loss)	(1.0)	3.5	4.5	-%
Asia/Oceania				
Net sales:				
Customers	170.5	205.7	35.1	20.6%
Inter-segment	360.9	441.2	80.2	22.2%
Total	531.5	647.0	115.4	21.7%
Operating expenses	512.8	616.5	103.7	20.2%
Segment income (loss)	18.7	30.4	11.7	62.7%
Eliminations				
Net sales	(788.7)	(982.6)	(193.9)	-%
Operating expenses	(780.2)	(970.6)	(190.4)	-%
Segment income (loss)	(8.5)	(11.9)	(3.4)	-%
Consolidated				
Net sales	851.2	1,003.6	152.3	17.9%
Operating expenses	830.0	918.6	88.5	10.7%
Segment income (loss)	21.2	84.9	63.7	299.8%

Note: 1. Net sales are attributed to geographic segments based on the country or region location of the Company or the subsidiary.
Principal countries and jurisdictions in each geographic segment are as follows.
2. JGAAP: Accounting principles generally accepted in Japan.

Geographic Segment	The name of main countries and jurisdictions
The Americas	The United States, Canada, Brazil, Chile, Argentina, Costa Rica, Colombia, Venezuela, Mexico and Peru etc.
Europe	The United Kingdom, the Netherlands, Germany, France, Italy, Spain, Portugal and Russia etc.
Asia/Oceania	China (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India etc.

4. Sales to overseas customers

(Unit: billion yen)

	Year ended March 31, 2013(JGAAP)	Year ended March 31, 2014(JGAAP)	Increase	Increase %
Overseas Sales				
The Americas	200.3	256.8	56.5	28.2%
Europe	175.2	218.3	43.0	24.6%
Asia/Oceania	209.1	249.7	40.5	19.4%
Total	584.6	724.8	140.2	24.0%
Consolidated Sales	851.2	1,003.6	152.3	17.9%
Percentage of overseas sales to consolidated net sales (%)				
The Americas	23.5	25.6		
Europe	20.6	21.8		
Asia/Oceania	24.6	24.9		
Total	68.7	72.2		

Note: 1. Overseas sales are attributed to geographic segments based on the country or region location of the Company or the subsidiary.
Principal countries and jurisdictions in each geographic segment are as follows.
2. Exports transacted through an intermediary such as trading companies are not included in oversea sales.
3.JGAAP: Accounting principles generally accepted in Japan.

Geographic Segment	The name of main countries and jurisdictions
The Americas	The United States, Canada, Brazil, Chile, Argentina, Costa Rica, Colombia, Venezuela, Mexico and Peru etc.
Europe	The United Kingdom, the Netherlands, Germany, France, Italy, Spain, Portugal and Russia etc.
Asia/Oceania	China (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India etc.

5. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Year ended March 31, 2013(JGAAP)	Year ended March 31, 2014(JGAAP)	Increase %	Forecast for the year ended March 31, 2015(JGAAP)	Increase compared to year ended March 31, 2014 %
Capital expenditure	43.1	37.8	(12.3%)	55.0	45.4%
Information-related equipment	33.4	26.8	(19.6%)	38.0	41.3%
Devices & precision products	6.7	8.0	19.1%	10.0	24.9%
Sensing & industrial solutions	0.5	0.8	43.8%	2.0	140.3%
Other / Coporate expenses	2.4	2.0	(13.2%)	5.0	139.6%
Depreciation and amortization	39.3	38.7	(1.5%)	44.0	13.6%
Information-related equipment	26.3	25.6	(2.7%)	30.0	17.1%
Devices & Precision Products	8.0	7.8	(3.1%)	8.0	2.0%
Sensing/Industrial solutions	0.5	0.7	21.8%	1.0	39.7%
Other / Coporate expenses	4.3	4.5	5.8%	5.0	9.7%

Note: 1.The segment information figures for FY2012 have been recalculated using the method used in FY2013.
2. "Other" is business segment not categorized in reporting segments.
3.JGAAP: Accounting principles generally accepted in Japan.

6. Research and development

(Unit: billion yen)

	Year ended March 31, 2013(JGAAP)	Year ended March 31, 2014(JGAAP)	Increase %	Forecast for the year ended March 31, 2015(JGAAP)	Increase compared to year ended March 31, 2014 %
Research and Development	49.9	50.5	1.2%	52.0	2.9%
R&D / sales ratio	5.9%	5.0%		5.1%	

Note: JGAAP: Accounting principles generally accepted in Japan.

7. Management indices

(Unit: %)

	Year ended March 31, 2013(JGAAP)	Year ended March 31, 2014(JGAAP)	Increase Point	Forecast for the year ended March 31, 2015(JGAAP)	Increase compared to year ended March 31, 2014 Point
Return on equity (ROE)	(4.0%)	27.6%	31.6	17.1%	(10.5)
Return on assets (ROA)	2.3%	9.5%	7.2	10.1%	0.6
Return on sales (Operating)	2.5%	8.5%	6.0	8.6%	0.1
Return on sales (Ordinary)	2.1%	7.8%	5.7	8.7%	0.9

Note 1. ROE=Net income / Beginning and ending balance average shareholders' equity
2. ROA=Ordinary income / Beginning and ending balance average total assets
3. Return on sales (Operating)=Operating income / Net sales
4. Return on sales (Ordinary)=Ordinary income / Net sales
5.JGAAP: Accounting principles generally accepted in Japan.

8. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Year ended March 31, 2013(JGAAP)	Year ended March 31, 2014(JGAAP)	Increase
Foreign exchange effect	18.9	127.6	108.6
U.S. dollars	12.2	49.8	37.5
Euro	(2.1)	42.8	44.9
Other	8.8	34.9	26.1
Exchange rate			
Yen / U.S. dollars	83.11	100.23	
Yen / Euro	107.14	134.37	

Note: 1.Foreign exchange effect = (Foreign currency sales for the period) x (Average rate for the period – Average rate for the same prior period)
2.JGAAP: Accounting principles generally accepted in Japan.

9. Inventory

(Unit: billion yen)

	September 30, 2013(JGAAP)	March 31, 2013(JGAAP)	March 31, 2014(JGAAP)	Increase compared to March 31, 2013
Inventory	181.9	163.5	183.6	20.0
Information-related equipment	140.2	122.8	141.0	18.2
Devices & precision products	36.6	36.2	37.6	1.4
Sensing & industrial solutions	4.1	3.1	3.8	0.7
Other / Corporate expenses	1.0	1.3	1.0	(0.3)
				(Unit: day)
Turnover by days	71	70	67	(3)
Information-related equipment	67	65	62	(3)
Devices & precision products	87	94	92	(2)
Sensing & industrial solutions	109	100	87	(13)
Other / Corporate expenses	28	25	46	21

Note 1. Turnover by days = Ending (Interim) balance of inventory / Prior 12 months (Prior 6 months) sales per day
2. The segment information figures for FY2012 have been recalculated using the method used in FY2013.
3. "Other" is business segment not categorized in reporting segments.
4.JGAAP: Accounting principles generally accepted in Japan.

10. Employees

(Unit: person)

	September 30, 2013	March 31, 2013	March 31, 2014	Increase compared to March 31, 2013
Number of employees at period end	73,639	68,761	73,171	4,410
Domestic	18,288	18,234	18,372	138
Overseas	55,351	50,527	54,799	4,272